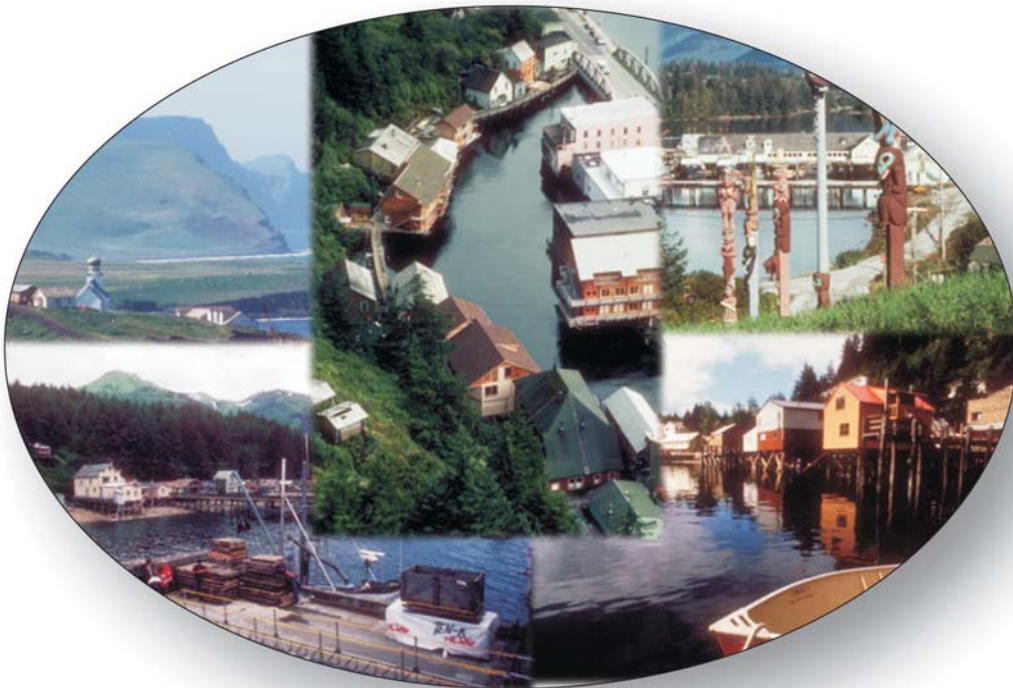


Annual Report

Division of Community Advocacy

January 2005



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Division of Community Advocacy

MISSION

Promote strong communities and healthy economies by providing information, technical and financial assistance and other capacity building resources.

The mission of the Division of Community Advocacy (DCA) is to achieve maximum local self-government as contemplated by Article X of the Alaska Constitution. The Division promotes strong communities and healthy economies by coordinating and focusing the resources of State agencies and commissions, federal agencies and commissions, regional non-profit organizations, municipal governments, and tribal governing bodies to develop public service facilities and efficient public service delivery. The Division also contributes to the mission by delivering technical assistance, financial assistance, statistical information and other capacity-building and economic development resources to public and private clientele.

The Division delivers its services from seven locations. To provide more direct service, DCA staff are stationed at regional offices located around the State. Staff in these regional offices are in frequent contact with the communities they serve. The goal of this effort is to develop and maintain local capacities which help ensure efficient and effective local governments.



Local Government Development

The writers of Alaska's constitution mandated the creation of a "local affairs agency." Article X, Section 14, of the Alaska State Constitution states: "An Agency shall be established by law in the executive branch of the State government to advise and assist local governments. It shall review their activities, collect and publish local government information, and perform other duties prescribed by law."

The framers of the Alaska Constitution clearly indicated their belief that local government would play a critical role in Alaska's future and that the State had a responsibility to work with local governments to help them be successful in providing local governance and effective public services for community residents.

The Alaska Constitution also specifically provides for maximum local self government. However, the framers of Alaska's Constitution recognized that many local governments in the State were not fully developed and would not have the resources to achieve strong local self-determination unless they were assisted in this effort. A large part of the State consists of the "unorganized borough" in which there is no regional form of government. DCA fulfills this mandated assistance function by offering local governments and other community entities a broad range of support for local development efforts.

The focus of Local Government Development staff is technical assistance and training for communities that lack various resources needed to effectively operate their local government. The Division helps local and regional governments to become more self sufficient in providing government services to community residents. When working with a community to resolve a specific problem, staff also work towards the more general goal of "capacity building," increasing the capacity of local people and organizations to deal with local problems. The Division also supports professional training and development opportunities in cooperation with organizations such as the Alaska Association of Municipal Clerks, Alaska Association of Assessing Officers, Alaska Planners Association, and the Alaska Municipal League.

Financial Management Assistance

A Division priority is helping communities establish and maintain basic financial management systems. This focus on financial management has had positive results. In 2004, increasing insurance, fuel, and transportation costs in combination with decreasing general fund revenues, and difficulties in collecting user fees and taxes found many communities struggling financially. Sound budgeting, accounting systems and financial reporting systems received renewed attention in many communities. In addition to training municipal bookkeepers and clerks, DCA staff provided training for elected local officials who may not have an adequate understanding of their financial management responsibilities.

One example of this assistance was the development of two training modules, Bulk Fuel Manager Training and Bulk Fuel Bookkeeper Training. These training modules were developed

through funding of the Denali Training Fund. Both courses were presented in Anchorage to staff from 15 communities that had recently constructed bulk fuel facilities using Denali Commission funding.

★★ **Success Story** ★★

Tim Troll and Ralph Andrew – The City of Clark's Point called the division because they did not have enough funds to purchase fuel for the year and had fallen behind on their financial reporting. The Administrator was injured fishing during the summer, and had not been to work in several months. The temporary administrator was overwhelmed with the office work. DCA staff from the Dillingham office made several trips to the community.

On the first trip, Tim Troll was quickly able to help them locate their budget and Certified Financial Statements for the past several years. Once these were submitted to the State, funding that had been held pending submission of the documents could be released. This funding was adequate to purchase the necessary fuel.

On the second trip, Ralph Andrew worked with the City Administrator to prioritize financial needs. This included outlining overdue grant reports, scheduling a past due municipal election, identifying past due Federal payroll taxes, and an overpayment of State payroll taxes.

★★ **Success Story** ★★

Roxanne Auge – In 1999 the City of Nondalton was over \$400,000 in debt. They requested assistance from our Division. Roxanne Auge worked with city staff to develop a repayment plan. The repayment plan included significant reductions in programs and staffing while increasing the financial accountability of the City.

Since then Roxanne has continued to monitor, provide technical assistance, and moral support to the City. They have reduced the debt by over \$270,000, and in the near future will eliminate an additional \$30,000 of debt. During this time the city has also worked to implement the collection policies that Roxanne assisted them in developing. They have reduced the water/sewer utility accounts payable by over 20%.

Local Government Management Assistance

Alaska's Constitution, statutes and regulations define the powers and responsibilities of local governments. Various programs in DCA assist local governments in utilizing these powers to improve the efficiency of their organizations and the quality of life in their communities. Examples of assistance and training provided by DCA include:

- ❖ Ordinance development and codification.
- ❖ Elections training.
- ❖ Personnel practices.
- ❖ Tax assessment and collection.
- ❖ Title 4 (Alcohol) local option laws.
- ❖ Council powers and procedures.
- ❖ Interpretation of State and local laws.
- ❖ Land management and planning.
- ❖ Development of land disposal ordinances.
- ❖ ANCSA 14(c)(3) negotiations & agreements.
- ❖ Newly Elected Officials (NEO) training.

★★ Success Story ★★

Nicole Grewe - The community of Gustavus incorporated as a second class city in April 2004 thereby adopting the responsibility of local government and self-determination. The new city requested assistance from the division in establishing and implementing core local government functions. Nicole provided assistance to the City and within three months of incorporation, a city clerk was hired, critical sections to the municipal code of ordinances were adopted, and a local sales and room tax implemented. Implementation of the sales tax was especially time critical as the majority of the tax comes during the summer tourist season.

Nicole continues to provide advice and assistance to the City as they designate a Comprehensive Community Planning Committee devoted to develop a community vision statement, gather public input, and adopt an action plan for sustainable community development.

Local Government Online (LOGON)

Local Government Online (LOGON) is a web based information system created by Commerce's Division of Community Advocacy to assist local governments (municipal and tribal), members of the public, administrators, clerks, elected and appointed officials, community leaders, and others interested in local government operations, public services, and community development in Alaska.

The LOGON is intended to provide information on important local government issues, such as: duties and responsibilities of elected officials, holding public meetings, financial management, grant management, personnel management, payroll, ordinances, conducting elections, municipal government structure, incorporation, annexation, tribal and municipal agreements, water and sewer utility management, and much more. This is an evolving resource and will continue to be updated based on availability of new information and feedback from users.

Each LOGON chapter includes an introduction/overview of the topic, a frequently asked questions (FAQs) section, and web links to applicable Alaska Statutes, federal/state regulations, sample documents, related state and federal agencies, the "Local Government Handbook" and other publications, videos, and additional training opportunities." LOGON also includes a newsletter, calendar of events, and links to other resource agencies and programs.

Explore LOGON at www.commerce.state.ak.us/dca/LOGON/home.cfm

Local Boundary Commission

The Division of Community Advocacy serves as staff to the Local Boundary Commission (LBC). The framers of Alaska's Constitution established the LBC to oversee the creation and alteration of city and borough governments. The founders recognized that city and borough governments would serve as fundamental political subdivisions of state government for the delivery of vital public services at the local level. The LBC has the power and duty to judge proposals for

- ◆ incorporation of cities and boroughs;
- ◆ reclassification of cities;
- ◆ annexation to cities and boroughs;
- ◆ detachment from cities and boroughs;
- ◆ dissolution of cities and boroughs;
- ◆ merger of cities and boroughs; and
- ◆ consolidation of cities and boroughs.



DCA staff provides technical support to the LBC, petitioners, and other interested individuals and organizations.

The LBC files an Annual report to the State Legislature each year detailing its activities and decisions throughout the year. That report was presented to the Legislature on January 18, 2005, and is available at this web site,

<http://www.commerce.state.ak.us/dca/lbc/LBCreport.htm>

The following **summarizes** the major activities of the LBC and DCA Staff during 2004, please see the full report for details.

City Incorporation

City incorporation activities occurred to various degrees in the following nine communities:

Anchor Point	Gustavus	Iliamna
Chitina	Healy	Naukati
Gravina Island	Hope	Willow

From those inquiries, only the residents of Naukati formally petitioned for incorporation during 2004. The incorporation of Gustavus as a second-class city was certified on April 1, 2004. LBC staff issued notice of the incorporation.

City Annexation

City annexation was explored or pursued to various degrees with respect to the following city governments during 2004:

City of Akutan	City of Kivalina	City of Seward
City of Bethel	City of Kodiak	City of Wasilla
City of Eagle	City of Nome	
City of Homer	City of Petersburg	

During 2004, three formal petitions for annexation were filed; two involved the City of Akutan, and one involved the City of Petersburg. In addition, review of one aspect of the 2002 annexation by the City of Homer was before Staff and the LBC.

City Dissolution

Interest in City dissolution arose in the following localities during 2004:

Holy Cross	Kivalina
Hughes	Nikolai

However, no formal petitions to dissolve a city government were filed.

City Reclassification

Interest in city reclassification occurred in the following localities during 2004:

Angoon	Dillingham
Bethel	Wasilla

While no formal petition for city reclassification was submitted, LBC Staff has provided substantial assistance to both the City of Dillingham and the City of Wasilla in this regard.

Borough Incorporation

Interest in borough incorporation occurred in the following areas during 2004:

Bristol Bay	Holy Cross	Western Alaska
Copper River Basin	Lower Kenai Peninsula	Wrangell
Delta-Greely	Nenana	
Glacier Bay	Prince William Sound	

Although no formal petition for borough incorporation was submitted during 2004, the City of Whittier initiated proceedings for consideration of a proposal to incorporate a Prince William Sound Borough.

Borough Annexation

Annexation activities occurred in the following boroughs during 2004:

Fairbanks North Star Borough
Ketchikan Gateway Borough

No formal petition for borough annexation was filed in 2004.

Borough Detachment

Interest in borough detachment occurred in the following communities during 2004:

Eagle River-Chugiak	Girdwood	Tyonek
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No formal petition for borough detachment was filed during 2004. However, significant interest in such occurred in communities in the Municipality of Anchorage (Eagle River-Chugiak and Girdwood).

Consolidation

Interest in consolidation of city and borough governments was expressed in the following areas during 2004:

Haines Borough Ketchikan Gateway Borough Northwest Arctic Borough

A petition for consolidation was received for consolidation of the Ketchikan Gateway Borough and City of Ketchikan.

Special Projects

In 2004, Staff assisted the LBC in carrying out a significant special project relating to a study of school consolidation opportunities. A joint report by the LBC and Department of Education and Early Development (DEED) regarding school consolidation was filed with the Legislature in February of 2004. The report was distributed in hard copy and electronic format and is posted to the LBC's Web site.

http://www.commerce.state.ak.us/dca/lbc/school_study/school_study_report_final2.htm

The LBC outlined the following general recommendations to the Legislature regarding school consolidation:

1. Promote borough government.
2. Establish threshold for school districts to relinquish school powers.
3. Establish formal procedures for Rural Educational Attendance Area (REAA) boundary changes.
4. Address the establishment of Federal Transfer REAAs through apparent local and special legislation.
5. Remove disincentives for school consolidation from the education funding formula.
6. Create incentives for school consolidation.

Additional LBC Information

Further information on the Local Boundary Commission is available at

<http://www.commerce.state.ak.us/dca/lbc/lbc.htm>

Rural Utility Business Advisor (RUBA)

The goal of the RUBA Program is to prepare rural communities for, and help them meet the challenge of managing and operating sanitation utilities. RUBA is achieving this goal by providing assistance in the areas of business, finance, personnel, and general management to governments and organizations responsible for operating water and sewer utilities in rural Alaska.

FY04 RUBA Activities:

- ◆ Made 245 trips to 102 different communities to provide on-site RUBA assistance.
- ◆ Presented nine 32-hour Utility Management Classes in 6 different regional centers throughout the State. Seventy-five utility managers completed the classes.
- ◆ Worked with the Regulatory Commission of Alaska (RCA) to develop regulations for a new level of certification for small utilities. Previously very small utilities fell under the same regulatory provision as the largest utilities in the state. As a result, few small utilities applied for certification. Under the new regulatory regulations, 85 small utilities have applied and 4 have already received certification from the RCA.
- ◆ Worked with the RCA on developing annual financial reporting requirements for small utilities.
- ◆ Contractors working for the program provided training on QuickBooks Pro in four communities (Kasaan, Seldovia, Coffman Cove, Nulato). Staff worked directly with several other communities to implement QuickBooks as an accounting package, or adopt changes to existing QuickBooks practices.
- ◆ Presented information sessions at the following conferences: Alaska Water and Wastewater Manager's Association (AWWMA), Alaska Rural Water Association (ARWA), Alaska Municipal League (AML), Southeast conference of the AWWMA, Alaska Forum on the Environment, and Building Our Communities.
- ◆ Served on the evaluation committees for Denali Commission Washeteria grants, Denali Commission Multi-use Facility Grants, and the ADEC Village Safe Water Grants.

★★ Success Story ★★

Elizabeth Manfred - The City of Atka was awarded a Village Safe Water construction grant for water and sanitation improvements. The grant contained a special grant condition that the City demonstrate that they have the management capacity to administer the project once it was completed. This was to be done through successful completion of a management assessment.

At the request of the community, Elizabeth traveled to Atka and completed a management capacity assessment of the utility. The assessment identified that the utility did not identify all revenues and expenses in the utility budget, which would allow tracking water/sewer service data. Also, financial reports were not being generated for the governing body.

Elizabeth provided the standard chart of accounts and assisted the City Administrator in customizing it to city finances. The City Council adopted the recommended changes and accurate monthly financial reports are now generated. A reassessment completed by RUBA staff was provided to VSW and construction funding was awarded. Atka is administering their grant and completing the project using force accounting.

Office of the State Assessor (OSA)

In accordance with state law, the Office of State Assessor (OSA) conducted the annual full value determination (FVD) for taxable property in sixteen (16) organized boroughs and seventy-six (76) home rule, first class, and second class (with a population over 750) cities for a total of ninety-two (92) municipalities. The OSA published the results in a report titled, "Alaska Taxable." To review the report, visit the Division's website <http://www.commerce.state.ak.us/dca/osa/assessor.htm> or contact the OSA.

To assure equitable treatment for all taxpayers and to assure the State disburses school funding equitably to each municipality, the OSA monitored municipal assessment practices. This past year, the OSA was asked by the assembly of the state's largest municipality to investigate and report on the efficiency of the assessors' office. Many of the suggestions offered in the report have been implemented by the administration and others are being offered to provide tax relief for the local property taxpayer.

Because of the possibility of the formation of new boroughs in the state, the OSA began a program this year to strengthen the value model building program used to formulate value estimates. A large amount of time was spent in the Delta/Greely area reviewing data and developing new value models for the proposed borough. The models built for this proposed borough will be modified and used for other areas of the state when they are considered.

In accordance with State law, the OSA also provided guidance with interpreting state mandated exemptions; established standards for assessment practices for use by local assessing offices; assisted in developing ordinances dealing with property assessment issues. The state workshop for assessing Possessory Interests was revised and presented during the Alaska Municipal League Conference in Fairbanks and was very well received.

★★ *Success Story* ★★

The upcoming administration conference of the International Association of Assessing Officers will be held in Anchorage in September 2005. This conference is expected to bring 1,500 - 2,000 delegates plus companions to the southcentral area that will help lengthen the tourist season for local retailers and service businesses. The State Assessor is the President of the local Alaska Association of Assessing Officers and serves as the primary conduit to the international organization headquartered in Chicago. It is hoped that this conference will set a standard for all future conferences of this organization and create a good potential for a repeat in our state in the future.

Land Management

The Land Management and Community Planning programs provide assistance to communities on regional and local land issues. The main areas of assistance are technical advice and training on local planning and land management efforts, the Alaska Coastal Management Program, the Municipal Lands Trustee Program, and the National Flood Insurance Program.

Alaska Coastal Management Program (ACMP)

Through balanced stewardship, the ACMP strives to sustain the long-term economic and environmental productivity of the Alaska coast. The ACMP provides a balance of decision making that addresses all interests, coastal resources, and coastal uses. Thirty-two coastal districts participate in the program by developing local coastal management plans, implementing local plans through the consistency review process, and informing and educating the public about the ACMP. The Department's role in the program, which is established in AS 44.47.095, supports the coastal districts through research, training, and technical assistance. DCA also manages the ACMP grant program, which awards \$1 million annually in grant funds to the coastal districts.

Land Management and Mapping

Unresolved land claims and inadequate information about land sometimes hinder development for both the private and public sectors. The land management section provides information, maps and assistance to agencies, contractors and rural communities so they may overcome land problems that currently impede development. Some of the services provided include the following:

- ❖ **Site Control.** This includes preparing title opinions and providing maps, sample documents and technical assistance to assure a proper ownership interest for publicly funded projects. Site control helps protect state and local government investment in buildings and facilities.
- ❖ **Community Profile Mapping.** By assisting groups that are contracting for the preparation of community mapping we ensure that community maps are prepared to a standard that is compatible with other users, that existing digital mapping is used whenever possible and that the project is coordinated with other agency mapping efforts that may be taking place. The maps are an important planning tool to expedite infrastructure development and reduce property loss due to site control problems and natural hazards. In exchange for DCA assistance, mapping partners permit the maps to be added to a community-mapping library and shared with the public in paper and digital form. DCA's current mapping partnerships are developing aerial photo based community maps in 57 rural communities.



- ❖ **Land Management.** Section 14(c) of the Alaska Native Claims Settlement Act (ANCSA) provides that certain land in ANCSA communities be made available to residents, businesses, non-profits, communities and airport operators. DCA provides community mapping and land management assistance to municipalities, unincorporated communities, and Native village corporations so they may carry out the process of identifying and conveying 14(c) land claims. The settlement of the ANCSA 14(c) land claims is an essential step in clearing land title in the community and providing a base of land for private and public land development. In unincorporated communities DCA carries out the community planning and negotiation of the 14(c)(3) community land on behalf of a future municipal corporation in accordance with AS 44.33.755. Leases, deeds and easements of Municipal Trust Land were issued this year for sanitation facilities, clinics, consolidated bulk fuel storage, power generation, roads, and other community facilities.

Floodplain Management/National Flood Insurance Program (NFIP)

The mission of the Division's Floodplain Management Program is to reduce public and private sector losses and damage from flooding and erosion by providing coordination, funding, and technical assistance to NFIP communities. The Division serves as the State coordinating agency for the NFIP. The program provides over \$326.2 million in flood insurance coverage to individuals, businesses, and renters in 37 cities and boroughs.

The Division manages the **Flood Mitigation Assistance (FMA)** Program. Staff managed the reconstruction of a home that was substantially damaged - 50% or more of value — following the 2002 flooding which by local ordinance is required to be rebuilt to current code standards. The Seward area home which had been repetitively damages since its construction in 1951 was rebuilt above flood levels using a combination of grant funds, insurance and homeowner finances.

Goals for 2005 are to develop flood hazard maps for one-half of the unmapped floodprone communities; reduce the average age of Alaska's flood maps by half; and produce digital flood hazard maps for the 15% highest priority areas in the state. DCA staff, as Alaska's lead for the national Multi-Hazard Map Modernization initiative, completed a ***Business Plan*** for modernizing Alaska's flood maps.

Major Component Accomplishments in 2004

- ✓ Prepared a *Five-Year Comprehensive Floodplain Management Plan*.
- ✓ Conducted technical assistance visits to Nenana, Denali and Fairbanks North Star Borough immediately following flood events; made other onsite assistance visits to Haines, Delta Junction and Koyukuk.
- ✓ Conducted major project reviews that had floodplain development conflicts including Wrangell Museum, Talkeetna Airport expansion, Norton Sound Seafood Processing Plant in Nome, numerous new clinic and housing projects statewide.
- ✓ Assisted Lake and Peninsula Borough in adopting a Flood Damage Prevention Ordinance basing hazard designation on Community Profile Maps - allowing for the sale of federally backed flood insurance borough-wide.

- ✓ Organized community relocation and erosion/flood control meeting attended by more than 40 for the most threatened communities - Shishmaref and Newtok
- ✓ Prepared comment letter, organized State agency briefing and assisted in information for the US General Accounting Office report ***Alaska Native Villages Most Are Affected by Flooding and Erosion but Few Qualify for Federal Assistance.***
- ✓ Prepared testimony for U.S. Senate Appropriations Hearing on Erosion and Flooding held in Anchorage June 29-30, 2004, and provided community contacts from high erosion and flood risk communities to testify. Coordinated two meetings to try to begin development of a policy and strategy for addressing village erosion and relocation.
- ✓ Floodplain management program staff is managing a FY04 \$2 million Legislative Grant to Shishmaref for erosion control and is coordinating other funding assistance to Shishmaref for erosion control.
- ✓ Produced the *Alaska Quick Guide for Floodplain Management* available on the Department's website at http://www.commerce.state.ak.us/dca/nfip/pub/AKQG2003_web.pdf



Shishmaref October 2004 Storm photos. The large building in these two photos is the Shishmaref Teacher's Housing Triplex building owned by the Bering Straits School District. A portion of the \$2 million Legislative Grant was used to move the building back from the edge. However, it is still threatened by erosion from the next storm.



Nome's Front Street on October 19, 2004, after a storm hit Western Alaska and brought widespread flooding to coastal communities. DCA staff assisted Nome in preparing the city's Flood Mitigation Plan using a \$10,000 Flood Mitigation Assistance (FMA) Grant. Randy Romenesko, City Manager, estimates that Nome's preparedness saved more than \$250,000 in just two days.

Photo by Laurent Dick

Community Development



The focus of business development staff is to provide technical assistance to those communities desiring economic growth, and technical assistance and basic information to new businesses or businesses seeking to expand or diversify. Staff also assist with planning and training for communities and organizations looking for business development. The efforts of the Division are part of the State of Alaska's overall economic development strategy to increase employment and diversify our economic base.

Some of the Division's programs are regional in nature. The goals of these programs are to stimulate economic development in the different regions by preparing strategies, assist communities to implement the strategies, and provide opportunities for communities to participate in economic activities not previously available to them.

Alaska Regional Development Organization (ARDOR) Program

The Legislature established the ARDOR Program in 1988 in support of the widely held belief that a locally driven initiative, in partnership with the State and other entities, can most effectively stimulate economic development and produce healthy, sustainable local economies. An ARDOR is a non-profit organization of local volunteers, representing numerous public and private interests, working together to achieve economic development in their region. Each ARDOR prepares a regional economic development strategy and assists communities and businesses to implement the strategy. The ARDORs are eligible for State matching grants. There are currently 11 ARDORS. DCA administers the grants and manages the ARDOR program. Funding is provided by the Alaska Industrial Development & Export Authority (AIDEA).

★★ **Success Story** ★★

**Valdez Fisheries, Valdez, Prince William Sound
Economic Development District**

Working collaboratively with the U. S. Economic Development Administration, the Alaska Department of Environmental Conservation, and the Prince William Sound Community College, the ARDOR assisted the Valdez Fishermen's Association to secure funding and training for local fishermen to add value to their catch and to extend the fishing season.

The project provides:

- ◆ Training on how to properly process sea food, through smoking, canning, and flash freezing;
- ◆ Training and assistance on operating a small business;
- ◆ Year-round fishing opportunities to fishermen in the Sound rather than the traditional seasonal opportunities;
- ◆ Year-round processing and marketing opportunities to fishermen in the Sound;
- ◆ Reduced costs of sea food to local residents year-round; and,
- ◆ The opportunity to study the feasibility of using waste heat from the Petro Star refinery for a cold storage facility.

Over 250 people have been certified to process seafood. Classes have been taught in Valdez, Naknek, King Salmon, Cordova, Dillingham, and Wrangell. The class is scheduled to be taught in Kenai this fall.

The ARDOR vice president initiated the project. The ARDOR provided contacts with potential funders and helped secure the funding needed to implement the project.

Small Business Development

The Division has one Development Specialist to support the start-up and expansion of small businesses around the State. Assistance provided includes:

- ◆ Responding to information requests from business owners.
- ◆ Developing publications on business topics.

Publications released in 2004 were Starting a Small Business, March 2004 edition, and Small Business Quick Reference Guide – Arts & Crafts, June 2004 edition.

★★ ***Success Story*** ★★



A new display of Made in Alaska products has been installed at the Alaska Public Lands Information Center in Tok. The display features products made and sold in interior communities, such as Far Above Rubies skin care products made in Ester and sold in Valdez, and Subarctic Spinners earbands of dog-fur yarn made in Cantwell and sold in Chitina and Glennallen. The display also provides brochures directing travelers to the retail locations where they can find the products.

Made in Alaska Program

The intent of the Made in Alaska (MIA) program is to promote and increase the sale of Alaskan manufactured and/or made products. The Made in Alaska program identifies and promotes the purchase of products manufactured and crafted in Alaska, ranging from small gift items to large industrial modules. Alaska businesses manufacture high quality products for Alaskan, domestic and international markets.

Products which meet program criteria are eligible to use the Made in Alaska logo. Permits authorizing the use of the Made in Alaska logo serve both producers and consumers by certifying product authenticity. The MIA program administration is contracted to a private sector organization.



Alaska Product Preference and Forest Product Preference Programs

These programs provide incentives for Alaska businesses when responding to bids for State contracts. The Alaska Product Preference Program, which is available to manufacturers within the State, provides a cost preference of up to 7% for State procurement. The Forest Products Preference Program provides a 7% cost preference in State procurement for wood products manufactured from Alaska timber. Both programs require certification by Commerce to be eligible for the preference.

Presently there are 72 Alaskan manufacturers participating in the Alaska Products Preference Program, with products ranging from prefabricated buildings to bagged topsoil. Seventy four companies are listed for the Forest Products Preference Program.

Volunteers in Service to America (VISTA)

VISTA members serve Alaska's urban and rural communities. This year, through the Division's program, 26 VISTAs served in 13 communities. DCA received approval for six additional members who are now serving under an Indian Set-Aside Grant. Entities sponsoring these VISTAs are community and regional organizations that serve Alaska Natives. The program currently has a broad range of projects including strategic planning, leadership programs, cultural preservation, distance education, marketing/arts promotion and small business development. All members focus on human resources and capacity building, community ownership, and sustainability. The DCA VISTA program and its members are growing while earning a solid reputation for positive change.

★★ *Success Story* ★★

Ionia, Inc. is a small-scale, multi-generational village environment that strives to achieve excellence in mental health, well being, agriculture, family, community, and environmental awareness. Located in Kasilof, Ionia asked for two AmeriCorps*VISTA members in 2003 in order to help them to achieve their goals. Two years later, VISTAs Jeremy Becherer and John Creighton have made tremendous, positive impacts on the Ionia community.

In the past year, John and Jeremy have helped Ionia to obtain more than \$200,000 in funding for farm equipment and land for an experimental barley and oat crop. Throughout this process, they have helped to empower the Ionia community, and have effectively bridged the gap between Ionia and the larger outside community. John and Jeremy's accomplishments serve as a model for AmeriCorps*VISTA members, and just go to show what a difference a few community-minded volunteers can make.

Financial Assistance

The Division administers a number of programs that provide financial assistance to communities to supplement local revenue generation. A number of them are revenue programs which share State or federal funds with local communities. The Division also administers grant programs which can help communities with the finances to build the infrastructure needed to support community and business development. Federally funded programs and State resources support this effort. Some of these programs continue from year-to-year and some are special programs that have a limited time frame or limited funding. Grant staff are available to answer questions about the various funding sources and help direct communities to the most appropriate source for a proposed project.

Shared Revenue Programs

Federal Payments in Lieu of Taxes (PILT) for Cities in the Unorganized Borough

Division staff worked closely with Senator Ted Stevens to establish and administer this program which expanded federal Payment in Lieu of Taxes (PILT) payments to include cities located in Alaska's unorganized borough. The Division distributed \$6,254,616 to 98 Alaska cities in FY05. These federal funds are especially crucial for many cities as they deal with the elimination of State Revenue Sharing, Safe Communities, and Capital Matching Grant funding upon which they relied to provide basic public services.

Fisheries Resource Landing Tax

A Fisheries Resource Landing Tax is levied on processed fishery resources first landed in Alaska, or any processed fishery resource subject to Sec. 210(f) of the American Fisheries Act. The State tax is based on the unprocessed value of the resource, which is determined by multiplying a statewide average price per pound (based on Alaska Department of Fish and Game data) by the unprocessed weight. Fisheries Resource Landing Tax is collected primarily from factory trawlers and floating processors which process fishery resources outside of the State's three mile limit and bring their products into Alaska for transshipment. The Fisheries Resource Landing Tax revenues are allocated to eligible municipalities on the same basis as the Shared Fisheries Business Tax Program.



Shared Fisheries Business Tax Program

This program provides for an annual sharing of State fish tax collected outside of municipal boundaries on the basis of nineteen “fisheries management areas.” The funding available within each of these areas is distributed among municipalities in that area based on the level of significant impacts resulting from fishing industry activity compared to the level of impacts experienced by other municipalities in that area. In FY05, \$1,725,251 in State tax will be distributed to 95 eligible municipalities.

National Forest Receipts

The Department distributes federal National Forest Receipts under the authority of 16 USC 500 and under AS 41.15.180. The federal law was amended in 2000 under the “Secure Rural Schools and Community Self Determination Act.” The Act provides that for State fiscal years FY02-FY07, the State shall receive an annual payment equal to the average of the three highest National Forest Receipts payments made to the State during fiscal years FY87-FY00. In FY04, the Department allocated over \$9 million to 9 boroughs, 18 cities, 4 Regional Educational Attendance Areas, and the Metlakatla reservation under the amended law.

Grant Programs

Community Development Block Grant (CDBG) Program

The goal of the federally funded Community Development Block Grant (CDBG) Program is to enhance the quality of life for low-and moderate-income residents, particularly in rural Alaska. The Program provides grants for public facilities and planning activities that address conditions detrimental to the health and safety of local residents. The grants reduce the costs of essential community services. Special economic development funds may be used to provide capital to assist in the creation or retention of jobs that principally benefit low-and moderate-income persons. During FY05 approximately \$4.7 million was awarded in grants.

During the fall of FY05 Division staff provided seven Grant Writing workshops in communities throughout the state. Approximately 100 local government officials participated. The purpose of the workshops was to provide an overview of the CDBG grant program and to train potential grant applicants how to successfully complete the CDBG application packet. Feedback from the workshops was very positive and we hope to continue and perhaps expand on those in FY06.

Community Services Block Grant (CSBG) Program

The goals of the federal Community Services Block Grant (CSBG) Program are to reduce and/or prevent poverty through community-based educational activities, which lead to a greater degree of self-sufficiency on the part of low-income persons. Services are provided through the State’s only Community Action Agency, RurALCAP. During FY05 approximately \$2.5 million was made available to RurALCAP to provide eligible services to people in poverty across the State.

Emergency Shelter Grant Program

The goals of the federal Emergency Shelter Grant Program are to assist with the following activities relating to emergency shelter for the homeless: renovation, major rehabilitation, or conversions of buildings for use as emergency shelters for the homeless; payment of maintenance, operation, insurance, utilities, and furnishings; and payment for provision of essential community services including those concerned with employment, health, substance abuse, education, food, or prevention. During FY05 approximately \$127,000 was made available statewide for the program.

Legislative Grants Program

Legislative grants are awarded by the State Legislature, with final approval by the Governor (delegated to a specific Department for administration). It is the Department's responsibility to notify grantees of their awards, and to develop and execute grant agreements based on each project. These awards can be for a variety of projects such as health, fire and safety, water and sewer, construction of community facilities, cemetery restoration, and program operations. This section also ensures grantees obtain site control, State Fire Marshal approval, and other regulatory agency permits as required. The Division currently administers approximately 365 active legislative grants for a total value of \$60 million.

Mini-Grants

The Mini-Grant Assistance Program is federally funded by the Denali Commission and the U.S. Forest Service. The program provides grants on an annual competitive basis to rural Alaska communities for a wide range of development projects and development strategies. Grants are awarded to the most viable projects which promote development by diversifying the economic base to provide jobs, income and long lasting economic benefits to the communities served. One application per community is accepted annually for a maximum of \$30,000. The funding level in FY05 was approximately \$535,000.

The Mini-Grant Assistance Program is one of the most popular grant programs the Department administers. We generally receive between 75 and 100 applications requesting in excess of \$1.5 million. The program provides a source of funding for many activities that are not funded through other means. Planning activities (including feasibility studies, business plans, and community development plans) are very popular as are projects that provide seed money for economic development activities. Without the Mini-Grant Assistance Program many innovative and exciting projects would likely never get off the ground. Although a small investment, the Mini-Grant Assistance Program provides significant benefits to a large number of communities across the State annually.

Flood Mitigation Assistance (FMA) Program

This is a federal grant program that provides assistance to National Flood Insurance participating communities for flood mitigation planning and project activities. The Division administers these Federal Emergency Management Agency pass-through grants.

Multi-Use Facility Grants

The Multi-Use Facility Grant Program is federally funded by the Denali Commission. The purpose of the program is to encourage consolidation of compatible essential community services while eliminating duplication of services and increasing the efficiency with which services are provided. Multi-Use Facilities can meet a variety of needs in Alaska and enhance the delivery of vital community services. Priority for funding goes to projects associated with life, health, and safety. Projects funded with Multi-Use Facility funds are generally limited to serving communities with populations of no greater than 2,500 people. Eligible applicants may ask for either construction funding only or for combined design and construction funding. Economically distressed communities must provide a 10% local match and non-distressed communities must provide a minimum 25% match. Requests may not exceed \$1 million per applicant with a maximum of \$25,000 for design completion. In FY05, there is a total of 13 active projects totaling approximately \$9 Million.

Fisheries Economic Development Grant

In the Spring of 2003 Governor Murkowski announced the State's Fisheries Revitalization Strategy.

The Revitalization Strategy combines federal funds authorized under Title V-Fisheries Disaster, Section 501(b) of the 2003 Federal Appropriations Bill, and Southeast Sustainable Salmon Fund monies authorized under the Pacific Coastal Salmon Recovery Fund.

The Revitalization Strategy is a multi-level, multi-year plan designed to spur increased productivity and innovation in the Alaska fishing industry by investing considerable economic resources into critical commercial fisheries infrastructure and capital projects.

A key component of the Strategy is the Fisheries Economic Development Grant Program. This program is intended to assist communities throughout the salmon fishing regions of Alaska impacted by the downturn in the salmon industry. Assistance may be provided in the form of one-time grants to finance fisheries related infrastructure or economic development projects that have the potential to increase Alaska seafood/product quality; increase Alaska seafood/product diversity and/or value; increase industry efficiencies; or lower costs within the industry. Approximately \$13 million has been awarded under this program.

Alaska Salmon Marketing Grant Program

The Alaska Salmon Marketing Grant Program is also a component of the Revitalization Strategy. The purpose of the program is to assist Alaska salmon marketers in funding industry's "best thinking" on how to most effectively market wild Alaska salmon. Approximately \$10 million in grant funds have been made available for this component. Applications were accepted under three categories:

- Major Grant Program: Directed toward major processors/marketers and geared to the scale and capabilities of larger companies; approximately \$7.7 million was made available.
- Mini-Grant Program: Directed toward mid-sized and growing companies and programs meeting the threshold identified by SBA requirements; approximately \$2.4 million was made available.
- Micro-Grant Program: Directed toward the small and emerging marketing sector which includes primarily the Alaskan direct marketing sector. This category is open to businesses that have no more than 10 full-time equivalent employees; approximately \$460,000 was made available.

Direct Aid to Fisheries Impacted Communities

On July 3, 2003, the Division issued checks to municipalities impacted by the recent downturn in the salmon industry. \$7 million was divided among 63 coastal communities where salmon processing is an important economic activity. The money is designed to offset the loss in salmon landing taxes in recent years.

National Petroleum Reserve – Alaska (NPR-A) Impact Program

Under 42 U.S.C. § 6508, the State of Alaska receives 50 percent of the revenues from federal oil and gas lease sales in the NPR-A. Use of those funds is for planning; construction, maintenance, and operation of essential public facilities; and other necessary provision of public service, with priority use given to municipalities most heavily impacted by oil and gas development in the NPR-A.

In September 2004, Division staff traveled to Barrow to conduct a workshop for communities within the NPR-A. This is the second year we have offered an NPR-A workshop. Staff reviewed the overall program objectives, eligible activities, completion of application forms, and the level of funds anticipated to be available, and answered specific questions from community representatives. Staff also reviewed general grant management expectations. Feedback was positive and the Division plans to continue offering similar workshops in coming years.

In December 2004, the Division will be recommending funding awards for NPR-A projects. The Division expects that those projects will be under grant agreement and effective after July 1, 2005, when the funding is deposited into the NPR-A Special Revenue Fund. In FY05 there were 57 active NPR-A grants totaling \$52 Million.

Community Project Capital Matching Grant Program for Incorporated and Unincorporated Communities

The Capital Project Matching Grant Program did not receive new funding in FY04 or FY05 and is not expected to receive funding in the future. However, there are 600 active Capital Project Matching Grants totaling approximately \$33,825,800 that the Division is administering.

Denali Commission

The Division administers several Denali Commission grants (using an administration fee of 1.1%), such as the Mini-Grants, Multi-Use Facilities, and Community Priorities Grants. Since 2001, the Division has administered over 100 Denali Commission grants totaling \$13.6 million. Thirty-five grants are currently open and active, totaling \$10.1 million. The Division also supports a position to liaison with Denali Commission full-time on development issues, as do several other state and federal agencies.

Grants Tracking Information System Database

An Internet-based management system was completed in May 2000 for internal use by the Division's Grant Administrators. The database tracks detailed information needed for all of the grants administered by the Division. Some of the information from the Grants Tracking System is available to the public in the Community Funding Database, at

http://www.commerce.state.ak.us/dca/commdb/CF_Grants.htm

Information Resources

The Division of Community Advocacy is a leader in providing information resources to the public. The Division's mission is to collect and publish accurate and timely information on local communities, local government and economic development in Alaska, and to make this information readily accessible to the public.

Online Information Resources

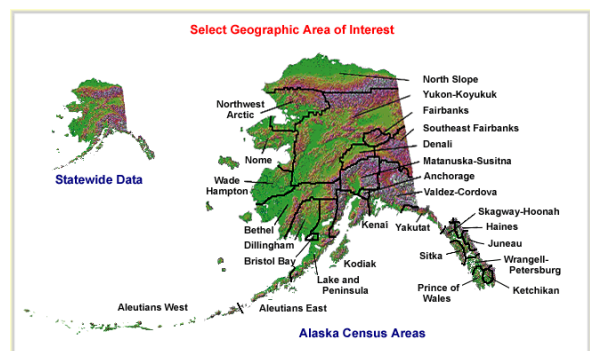
Internet users can access a wealth of information about Alaska's communities, local government and economic development by visiting the Division's web site at <http://www.commerce.state.ak.us/dca>.

Alaska Community Database/Community Profiles

The Alaska Community Database is an interactive database on the Division's web site that provides a wide range of community-based information and data for planning, policy-making, and technical assistance decisions. Some of the users who access this online database include State and federal agencies, private non-profit organizations, legislators and their staff, and the general public. Users can obtain community information summaries or in-depth community profiles for each Alaska community. Users also have the option of creating customized queries that can be viewed online or downloaded into a Microsoft Excel file, which will then be automatically transmitted via e-mail to their personalized e-mail accounts. (http://www.commerce.state.ak.us/dca/commdb/CF_COMDB.htm)

Alaska Economic Information System (AEIS)

The Alaska Economic Information System (AEIS) was created to provide user-friendly access to information about Alaska's economy, workforce, and industry sectors at a Census Area level. The AEIS is a tremendous resource for businesses, communities and individuals, saving them significant time and effort in collecting the information on which to base development decisions and plans. Starting from a map of Alaska, users can "click" on a census area, and quickly obtain information on that area's basic economic industries such as tourism, oil and gas, mining, and seafood. Detailed information is also provided for the critical infrastructure elements of transportation, energy, and utility sectors that support long-term, viable economic development. A statewide perspective is also provided for each sector of the economy, and the Alaska economy as a whole. Users can "drill down" through the information on the AEIS web site to reach greater levels of detail about their specific areas of interest, including maps, charts and working spreadsheets that users can download to their own computers for further analysis. The AEIS



contains a host of links to other web sites relevant to an understanding of the Alaska economy, its workforce, and its industry sectors.

http://www.commerce.state.ak.us/dca/AEIS/AEIS_Home.htm)

Community Plans Inventory

The Community Plans Inventory is an online information resource created by the Division to assist communities that are interested in developing their own community plans by providing a directory of existing community plans. The Inventory is organized by community, listing all plans that are available for each community and where a copy of each plan can be located. In some cases, the Inventory contains a link to a particular plan for viewing online.

http://www.commerce.state.ak.us/dca/commdb/CF_Plans.cfm

Community Photo Library

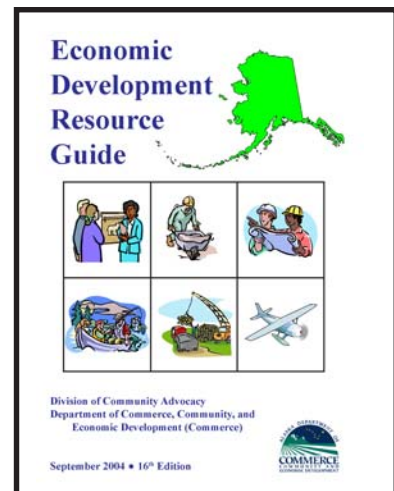
The Division's Community Photo Library is an online photo album organized by community. Photos of each community are submitted by the public or are taken by Division staff and posted on the Division's web site for public viewing and use.

http://www.commerce.state.ak.us/dca/photos/comm_list.cfm

Economic Development Resource Guide (EDRG)

The Economic Development Resource Guide (EDRG) is designed to bring together, in one place, an inventory of programs and services that can provide economic development assistance to Alaska communities and businesses. The EDRG includes over 100 financial and technical assistance resources provided by federal and State agencies, national and State nonprofit organizations, and private for-profit organizations. This resource is available as an online database that provides users with the opportunity to perform targeted searches to retrieve resources that meet their specific eligibility and needs. The EDRG is also available in CD-ROM format.

<http://www.commerce.state.ak.us/dca/edrg/EDRG.htm>



Local Government Online (LOGON)

Local Government Online (LOGON) is a web-based information resource system created by the Division to assist members of the public, elected and appointed officials, public administrators, community leaders, and others interested in local government operations, public services, and community development in Alaska.

LOGON provides information on local government functions, such as: administration, elections, financial management, planning and land use, taxation and assessment, and grants and revenue sharing programs. It also provides links to other State and federal resources that are available to the public.

For additional information on this resource, please refer to the "Local Government Development" section of this report or visit <http://www.commerce.state.ak.us/dca/LOGON/home.cfm>.

RAPIDS Capital Project Database

The Rural Alaska Project Identification and Delivery System (RAPIDS) database provides information on capital projects administered by over 20 State and federal agencies. The public can access this web-based system to obtain project descriptions, funding levels, and project status for over 15,000 capital projects in Alaska communities. (http://www.commerce.state.ak.us/dca/commdb/CF_RAPIDS.htm).

Regional Economic Development Strategies

The Regional Economic Development Strategies web site houses the strategic plans developed by eleven Alaska Regional Development Organizations (ARDORs). The Division manages the ARDOR Program, which was created to stimulate economic development and produce healthy, sustainable local economies.

To view a regional economic development strategy for a particular ARDOR, visit <http://www.commerce.state.ak.us/dca/oedp/EDSReview.htm>.

RUBA Training Information System

The Rural Utility Business Advisor (RUBA) program provides rural communities with technical assistance and training on the business and financial administration of their utilities. To assist communities and RUBA staff in tracking participation in these training opportunities, the Division has created the RUBA Training Information System.

The RUBA Training Information System is an online, searchable database that contains a student profile for each participant in the training program, including the training classes attended by that participant. This information resource is available on the web at <http://www.commerce.state.ak.us/dca/train/rubatrain.cfm>.

Economic Impact Assessment Modeling

IMPLAN

IMPLAN is an economic impact assessment modeling system developed by Minnesota IMPLAN Group, Inc. This software system allows the user to build economic models to estimate the positive or negative impacts of specific changes on economic activity at the state, region, or community level. IMPLAN is becoming a standard tool among federal, state, and local government agencies across the United States. In addition, many academic institutions, private companies, and non-profit agencies are using this modeling system for research and planning purposes.

While the Division relies on the Department of Labor's employment and wage data as principal measures of Alaska's economy, IMPLAN is being utilized to:

- ◆ Monitor the status of Alaska's economy.
- ◆ Compare the relative contributions of different industries to Alaska's economy.
- ◆ Estimate the gain/loss of industries in Alaska.
- ◆ Estimate the economic impacts of new infrastructure in Alaska.
- ◆ Estimate economic impacts of regulatory changes.
- ◆ Estimate the economic impacts of public policies.

Currently, the Alaska Department of Fish and Game and the University of Alaska Fairbanks are also using IMPLAN as an economic impact assessment modeling tool.

Publications

The Division publishes a variety of resource materials on local government, economic development, community planning, grants, and other topics. Many of these materials are available on the Division's web site (<http://www.commerce.state.ak.us/dca>), in addition to being available in printed format. Division publications produced during the past year include:

Economic Development

2004 ARDOR Annual Report (published January 2004)

Alaska Economic Performance Report - 2003 (April 2004)

Economic Development Resource Guide (EDRG) (updated September 2004)

The Alaska Tourism Satellite Account: A Comprehensive Analysis of the Economic Contribution of Travel & Tourism (published by Global Insight, April 2004)

Grants

Community Development Block Grant (CDBG) Application Handbook FFY2004

Mini-Grant FY2005 Application

National Petroleum Reserve-A (NPR-A) Impact Program – FY2004 Report to the Legislature (published January 2004)

Local Boundary Commission

Local Boundary Commission Annual Report – January 2004

Local Boundary Commission Annual Report – January 2005 (pending)

School Consolidation Report (published February 2004)

Local Government

Alaska Taxable 2004 (published January 2005)

City Budget Manual – FY2005 (published in 2004)

City Financial Statement – FY2004 (published June 2004)

Municipal Officials Directory – 2005 (updated January 2005)

Title 29 of Alaska Statutes (Municipal Government) – 2004

Planning

An Agency Guide to Community Tax Issues (published October 2004)

Coastal Impact Assistance Grant Program – 2003 Year-End Report (published January 2004)

Community Planning Resources (published by the Denali Commission, updated March 2004)

Getting Started on ANCSA 14(c)(3): A Basic Guide for City and Village Councils (updated Sept. 2004)

What is Site Control? (updated September 2004)

Alaska Quick Guide for Floodplain Management (published January 2004)

Rural Utility Business Advisor (RUBA) Program

A Plain English Guide to Accounting for Sanitation Utilities

An Agency Guide to Community Tax Issues (published October 2004)

Bulk Fuel Managers Training

Bulk Fuel Bookkeepers Training

RUBA Quarterly Report – Fourth Quarter FY04 (published August 2004)

Small Business Development

Starting a Small Business in Alaska (updated March 2004)

Small Business Quick Reference Guide - Arts & Crafts (June 2004)

Major Issues Facing the Division

ISSUE: Many of Alaska's small cities are struggling to survive.

Due to their small size, isolated geographic locations, and very limited economic bases, most of Alaska's small city governments rely significantly on financial assistance from the State for the provision of very basic local government functions. With the elimination of funding for State Revenue Sharing, Safe Communities and Capital Project Matching Grant Programs combined with sharp increases in costs of fuel, electricity, insurance and wage benefits, these small city governments now face a serious threat to their viability. The consequences of the elimination of State funding programs and increased costs are numerous. They include:

- 1) Inability to Provide Basic Public Services and Conduct the Basic Requirements of Municipal Governments.** Many communities lack the financial and personnel resources to successfully operate their utilities and perform basic government functions. Low wages, part-time work and no training create significant staff turnover and ongoing personnel and management problems. The elimination of State financial assistance exacerbates these issues and threatens valuable infrastructure and other facilities. In recent attempts by the Division to update the Municipal Officials Directory, eight cities have been non-responsive to inquiries concerning their current elected officials, three have postponed elections and one community has not held elections. This most likely is the result of the lack of staff to perform these duties.
- 2) Municipal Dissolution:** Because there is virtually no additional capacity to generate local revenues, some city governments may no longer afford to remain functional. We have seen numerous responses to this problem.
 - ✓ City governments may choose to dissolve their local government by formal means – four different Cities have explored this option in the last year.
 - ✓ City government officials and local residents may simply “walk away” from their city government. Unfortunately, this leaves municipal assets, liabilities and local services in limbo. Three Cities may currently be in this condition.
 - ✓ Another consequence has been that several communities have signed MOA agreements transferring the operation of services from municipal government to tribal government, while keeping the municipal government in name to continue to be eligible for state funding and certain grants. The Division knows of five Cities that have executed agreements transferring all city services to tribal governments. Several others are exploring this option. In addition, some city governments are contracting out just a portion of municipal services (such as sanitation) to other entities, like tribal governments or non-profit corporations.
- 3) Inability to Purchase Necessities - Including Insurance and Fuel:** Small cities often use their State financial assistance to pay annual insurance premiums and bulk fuel purchases. Without these funds, some cities are without insurance coverage and are unable

to purchase their bulk fuel. The costs for both these necessities are rising at enormous rates. For example, the windfall revenue received by the State due to increased fuel prices translates into higher operating costs in communities. Eleven communities this year were unable to purchase their winter supply of fuel. Insurance rates are also continuing to increase.

4) Deteriorating Infrastructure: Maintenance and operation of public facilities may cease which will result in the rapid deterioration of millions of dollars of public infrastructure constructed in Alaska over the last twenty years. Small cities also often use their State financial assistance to subsidize the operation of their water, sewer, and electric utilities. Consequently, residents may lose access to clean drinking water, safe sewerage systems and reliable power.

5) Increased IRS, PERS and ESC Problems: As financial resources become tight, communities often view payroll deposits to the IRS, PERS, and ESC as low priorities. This results in substantial penalties and interest which places an additional burden on the community's limited operating resources.

Additionally, those cities that participate in PERS face an increase of five percent per year to PERS contributions. Such an increase will cost municipalities some \$20 million more each year. This could mean additional increases to property tax rates or additional cuts to municipal programs and services.

RESPONSE: Continued Support for Local Government and the Programs Providing Support to Communities.

The Division works closely with communities to help them maximize the effectiveness of revenues, to identify new sources of local revenue, and to provide advice on how to use their limited resources most effectively. The Division administers numerous programs to provide information and assistance to communities. These programs need to continue to receive the resources and support required for protecting valuable infrastructure and essential community services.

Ongoing revenue sharing programs, such as the Federal Payment In Lieu of Taxes (PILT), National Forest Receipts and fisheries shared taxes are administered by this Division. Continued support for this funding is essential.

The federally-funded Rural Utility Business Advisor (RUBA) program helps assess the management of a community water and sewer utility, recommends corrective action, and provides assistance and on-site training specific to the management needs of the utility.

The Denali Commission and the Governor's office recently funded the Bulk Fuel Bridge Loan Program, which has provided funds to those communities that were in danger of going without winter fuel. The Division is following up on this issue by requesting funds from the Denali Training Fund for a three-year pilot program to provide mentoring for those communities. This program will be an intensive effort to provide essential administrative and financial skills within the community. These skills include establishing budgets (operating and cash flow),

reviewing results of financial activities, discussing problems and opportunities, creating remedial strategies and reporting administrative progress towards essential management of the community. These skills are necessary to provide for adequate operations and maintenance of public infrastructure.

In the case of cities transferring responsibility for services to other entities, Division staff continue to work with whichever entity is operating and maintaining the core services. This includes exploring the consequences of assuming services and helping them understand whether doing so would solve the major problems. Division staff help them review certain critical issues, such as, who will provide insurance, cover payroll costs and taxes. Often the true cost of providing the services has not been determined. The recipient of the service responsibility must learn the true cost and may have to subsidize the service. Long term issues of ownership and liability also need to be explored by all parties affected by these agreements.

The Governor has included \$6.45 million in the proposed FY06 Budget for energy assistance to small municipalities. This will provide \$25,000 for each City of 100 people or smaller, \$50,000 for each City with less than 600, and \$75,000 to each City that has more than 600 people but less than 1,200 people. This program will help approximately 120 small Cities to offset the high cost of energy to help make economic development possible.

The governor has included \$37.5 million in the FY06 operating budget to reduce the liability to the public employees' retirement system of political subdivisions that are members of that system. This funding, if passed, will to reduce the increased employer costs resulting from fiscal year 2006 and fiscal year 2007 employer contribution rate increases.

ISSUE: Alaska is the only state with no local government for a large geographical part of the state.

Boroughs are Alaska's fundamental political subdivision for delivery of municipal services, yet approximately one in eight Alaskans (12.6 percent of the state's population) live outside organized boroughs.

Promotion of borough formation is sound public policy. It is encouraged by our Constitution. Boroughs:

- ◆ promote maximum local self-government with a minimum of local government units;
- ◆ provide a legal structure for service delivery;
- ◆ offer stable and capable administrative capacity to provide services;
- ◆ foster local responsibility;
- ◆ promote accountability;
- ◆ exercise planning and planning responsibilities;
- ◆ provide a means to promote private ownership of land;
- ◆ have capacity to provide greater financial aid to schools;
- ◆ consolidate school districts;
- ◆ have capacity for regional control of alcohol and other substances;
- ◆ promote economic development;
- ◆ provide a proper role for state government; and
- ◆ promote equity and fairness

The framers of Alaska's Constitution expected the Legislature to create incentives that would lead to voluntary incorporation of boroughs. However, that expectation has never been met. After 46 years, only 3.8 percent of the population of Alaska – just 24,900 residents – live in boroughs that were voluntarily formed. In contrast, 83.6 percent of Alaskans (542,443) live in boroughs that were formed under the 1963 Mandatory Borough Act. The remaining 12.6 percent of Alaskans (81,475) live within the 368,187-square mile unorganized borough (365,190 square miles of which – 99.2 percent – lies outside the jurisdiction of any local government).

RESPONSE: Promotion of borough formation.

The Division of Community Advocacy and many others, including, in particular, the Local Boundary Commission and the Alaska Municipal League, encourage the establishment of significant incentives to promote borough incorporation and annexation. The Local Boundary Commission is addressing this issue in detail in its 2005 annual report to the Legislature. In addition, the LBC, in the recent study of school consolidation opportunities, recommended the promotion of borough government. The Division encourages Legislators to give thoughtful consideration to the matter.

ISSUE: Municipal assessment practices may be creating inequities in the State's financial assistance programs.

The Full and True Value Determination (FTVD) is an important factor in determining a locality's entitlement under several State financial assistance programs. Financial assistance for municipal school districts is the most significant program that uses the FTVD to determine a municipality's entitlement. The inaccurate FTVDs result in incorrect and inequitable payments to municipalities.

Because of continuing fiscal pressures, many municipalities feel a need to maximize their efforts to obtain state financial assistance. One of the results of these local fiscal pressures has been an increase in localities "pushing the envelope" of acceptable assessment practices.

RESPONSE: Increased Support for the State Assessor's Office.

The State Assessor's review of local assessment practices is critical to assuring the integrity of the Full and True Value Determination (FTVD) that is made for property in each municipality. The State Assessor's Full and True Value Determination serves as the State's independent assessment of the full and true value of all taxable property within a given locality.

As a result of an increasing work load, the State Assessor is not able to review the property assessment practices used by municipalities on a timely basis. Some additional support has been provided to the State Assessor, which will help in providing a thorough and timely review of local assessment practices and property value determinations.

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<http://www.commerce.state.ak.us/> or contact Judy Hargis (1-907-269-4565).

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